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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAUSA/DEPT OF HHS WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
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RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RHMFISS/JOINT STAFF WASHINGTON DC PRIORITY
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C O N F I D E N T I A L PANAMA 000788

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DEPT FOR WHA/CEN - TELLO
ALSO FOR WHA/EPSC - SALAZAR AND MARTILOTTA
ALSO FOR EB/TPP/BTA - LAMPRON
STATE PASS USTR FOR SCHWAB, VERONEAU, EISSENSTAT, AND MALITO
USDOC/MAC FOR GAISFORD

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TAGS: [ETRD](#) [ECON](#) [PREL](#) [PGOV](#) [ENRG](#) [UNSC](#) [OAS](#) [PM](#)
SUBJECT: PANAMA TO NEGROPONTE: WE WELCOME TRADE DEAL, BUT
NEED EDUCATION AND INSTITUTIONAL REFORMS

Classified By: Ambassador William A. Eaton - Reasons 1.4(b and d)

¶1. (C) Summary. In separate May 11 encounters with Deputy Secretary of State John D. Negroponte, a cross-section of Panamanian business, civil society, and media leaders welcomed the U.S.-Panama Trade Promotion Agreement (TPA). They cautioned, however, that Panama also had to reform its educational and judicial systems, among other institutional changes, to better use the TPA in addressing Panama's persistent poverty and wide income disparities. End summary.

Roundtable Members Fret Over Poverty & Poor Education

¶2. (U) On May 11, the Deputy Secretary discussed trade and development issues with a cross-section of about a dozen business and civil society leaders. Flanked by WHA Assistant Secretary Thomas A. Shannon and Ambassador William A. Eaton, the Deputy Secretary highlighted the evidence of significant growth and change he observed during his earlier stops in Colombia, Ecuador, and Peru. His question about how a TPA with the U.S. might affect Panama sparked a 90-minute discussion that revealed broad acceptance of free trade, but also deep concern that endemic corruption, weak institutions, and inadequate education might keep the benefits of Panama's trade and economic growth from reaching the nearly 40 percent of Panamanians still mired in poverty and those struggling to narrow the country's wide income disparities.

¶3. (C) Former Vice Minister of Foreign Affairs Roxanna Castrellon said that, despite Panama's economic boom, many Panamanians remained stuck in poverty. She attributed this phenomenon mainly to a continued lack of equal access to opportunities. Castrellon pointed to increased security risks, especially in the Darien region bordering Colombia, as a result of the limited opportunities offered to many Panamanians. Rosario Aguilar, a longtime aid worker in the

Darien concurred, noting that most of the youth in Panama's largest, sparsely populated province saw few, if any, opportunities. She said that some in the Darien had to journey 16 hours by canoe downriver to the nearest market, where they might earn \$1 per 100 bananas, which wholesalers later turn around for \$5 per 100. As a result, she said, Darien residents were increasingly vulnerable to the lure of "easy money" offered by drug traffickers, despite the risks.

14. (C) Economist Alexis Soto suggested that Panama's continued dynamic of "growth without development" resulted from the poor linkage of booming economic sectors with impoverished communities. He stressed that Panama had to better integrate its agricultural sector with the rest of an economy that had been historically driven by the Panama Canal. A one-time TPA skeptic, Soto agreed with the Deputy Secretary on the job-creation prospects offered by the TPA. He felt that the TPA offered an adequate adjustment period for Panama's agricultural sector, but that much more was needed to "fully integrate" this sector with the overall economy.

15. (C) Business leaders such as AmCham President Carlos Urriola, CONEP ("Chamber of Chambers") President Jose Javier Rivera, and retail & finance executive Felix Maduro each stressed Panama's lack of skilled labor as a critical barrier to ensuring that the TPA delivered results. They said that Panamanian employers stood ready to hire thousands of additional employees, but could not find nearly enough qualified workers. As a result, they worried about the need to bring in foreign workers, e.g., for the maritime sector (Panama Canal expansion), which could cause serious social problems.

16. (C) Others, such as law professor Miguel Antonio Bernal and Transparency International's Executive Director Angelica Maytin, pointed to corruption and weak rule of law as the primary impediments to Panama's development. Bernal welcomed the TPA, but warned that the country would not advance amid the GOP's erosion of civil liberties, rampant corruption in the judiciary, and the "virtual return" of ex-dictator Manuel Noriega in the form of former Noriega allies who now held some key GOP posts. Likewise, Gertrudes Sires, who leads an indigenous women's association in a Ngobe Bugle comarca (akin to an Indian reservation) said that corruption at local levels prevented wealth from reaching the base of Panamanian society. She called for greater capacity building for indigenous women to better serve as watchdogs over expenditures for local development programs in their communities.

17. (C) Agricultural exporter Francisco Atunez bemoaned the existence of poverty and starvation in a country that enjoys enormous natural wealth. Environmental activist Raisa Banfield concurred, illustrating the point with a Panamanian fairy tale about a small cockroach that found a dollar bill, but did not have a clue about what to do with it. Panamanians, she said, did not yet know the rich biodiversity the country had and, as a result, had not developed anything resembling an integral plan for sustainable development.

Top Opinion Leaders Focus on "Institutionality"

18. (C) The Deputy Secretary's two-hour dinner with a smaller slice of business, civil society, and media opinion leaders revealed a similar consensus that corruption and weak institutions could hinder Panama's gains from a TPA with the U.S. Alfredo Castellero Hoyos, a former Foreign Ministry official and UNDP consultant, typified the group's welcoming of the TPA, but with the caveat that deep institutional reforms would be needed before the deal could have its desired impact for ordinary Panamanians. He pointed to the GOP's rejection of bad news, such as a recent UNDP report on starvation in the Darien, as indicative of the government's unwillingness to meet its institutional challenges forthrightly. Former OAS Ambassador and current U.S.-Panama Association President Enrique de Obarrio noted that this

concern prompted Panama's leading association of business executives to focus its May 16-18 annual conference on the country's lack of "institutionality." Magaly Castillo, leader of a top judicial reform advocacy group ("Alianza Ciudadana Pro Justicia") stressed that stronger rule of law was a must to advance Panama's development.

¶9. (C) Others, such as ex-Panama Chamber of Commerce President Diego Eleta, worried that a drift in USG focus on Latin America and/or failure to ratify free trade deals with Colombia, Peru, and Panama would further embolden those who advocate populist and/or authoritarian approaches to addressing the region's development needs. Eleta welcomed the Deputy Secretary's visit to the region as an encouraging sign of stronger U.S. engagement.

¶10. (C) Several participants pointed to the persistence of poverty in the Darien region as a key worry and as emblematic of Panama's development challenges. Lawyer and former WTO Ambassador Carlos Ernesto Gonzales stressed that "it is up to us" to solve Panama's poverty problems. He said that the GOP, by creating indigenous comarcas over the past few decades, effectively condemned indigenous groups to perpetual extreme poverty, as they could not usefully capitalize on commonly held comarca lands. While noting the importance of education, "Panama America" newspaper executive Guido Rodriguez and others suggested that the Darien was unlikely

to see any change until Panamanians figured out how to integrate it with the rest of the country. (Gonzales noted wryly that the Spanish, despite establishing their first foothold in the hemisphere in Panama, were never able to control the Darien.) Meanwhile, a GOP and UNDP effort to promote a "national dialog" toward creating a national development plan was, according to de Obarrio, "going nowhere fast."

¶11. (U) This message was cleared by the Deputy Secretary's delegation.
EATON